

A RESOLUTION

State Health Benefit Plan Employer Contribution Rates for Remainder of Fiscal Year 2010; Authorization of Use of Reserves Currently Appropriated to Incurred But Not Reported Claims for Remainder of Fiscal Year 2010

WHEREAS, the State Health Benefit Plan is comprised of three health insurance plans, each supported by its own fund: 1) a plan for State employees (O.C.G.A. § 45-18-2), which is funded in part by State departments and agencies and other entities authorized by law to contract with the Department of Community Health for inclusion, and in part by the employees and retirees of these entities, 2) a plan for teachers (O.C.G.A. § 20-2-891), which is funded in part by the Department of Education, local school systems, libraries and Regional Educational Service Agencies (“RESAs”), and their employees and retirees, and 3) a plan for non-certificated public school employees (O.C.G.A. § 20-2-911), which is also funded in part by the Department of Education, local school systems, libraries and RESAs, and their employees and retirees; and

WHEREAS, O.C.G.A. § 45-18-14 provides for the Board of Community Health (the “Board”) and the Governor to establish the rate that each department, board and agency of the executive and judicial branches of state government shall contribute to the health insurance fund for State employees as their portion of the cost of benefits payable under that plan (the “State Employee Plan Employer Contribution Rate”); and

WHEREAS, the General Assembly approved a maximum State Employee Plan Employer Contribution Rate for July 1, 2009 – June 30, 2010 of 22.165% of total salaries; and

WHEREAS, O.C.G.A. § 20-2-892 provides for the Board and the Governor to establish the rate that each local school system, library, and RESA shall contribute to the health insurance fund for teachers as their portion of the cost of benefits payable under that plan (the “Teachers’ Plan Employer Contribution Rate”); and

WHEREAS, the General Assembly approved a maximum Teachers’ Plan Employer Contribution Rate for July 1, 2009 – June 30, 2010 of 18.534% of state-based salaries for local school systems and RESAs and 18.534% of total salaries for libraries; and

WHEREAS, O.C.G.A. §§ 20-2-920 provides for the Board to establish the amount of contributions that must be paid by the Department of Education and local school systems to the health insurance fund for non-certificated public school employees (the “Non-Certificated Employee Plan Employer Contribution Rate”); and

WHEREAS, O.C.G.A. §§ 20-2-920 provides for the Board to calculate the Non-Certificated Employee Plan Employer Contribution Rate so as to ensure that the employee contribution rate is the same as it is for other health insurance plans offered by the Department of Community Health; and

WHEREAS, the General Assembly has approved a maximum contribution from the Department of Education in the amount of \$82,216,077.00 and a per member per month rate of \$162.72 from local school boards; and

WHEREAS, the State Employee Plan Employer Contribution Rate was originally set at 22.165% of total salaries for July 1, 2009 – June 30, 2010, and

WHEREAS, the Teachers' Plan Employer Contribution Rate was originally set at 18.534% of state-based salaries for local school systems and RESAs and 18.534% of total salaries for libraries for July 1, 2009 – June 30, 2010, and

WHEREAS, the contribution from the Department of Education was originally set in the amount of \$82,216,077.00 and a per member per month rate of \$162.72 from local school boards; and

WHEREAS, due to decreases in appropriations, the State Employee Plan Employer Contribution Rate and the Teachers' Plan Employer Contribution Rate were lowered for February 2009 through November 2009 by Board resolutions, and

WHEREAS, due to decreases in appropriations, the annual Department of Education contribution was reduced to \$45,672,623.00, effective August 27, 2009, and financial projections reflecting this reduction were used when setting employee contribution rates and benefit structure changes approved by the Board on September 10, 2009, and

WHEREAS, due to the reduction in Employer Contribution Rates, existing, unappropriated fund balances have been used to pay benefits under the three plans (together, the "State Health Benefit Plan"), and

WHEREAS, due to the reduction in Employer Contribution Rates and the reduction in the Department of Education contribution, long-term investments dedicated to the payment of current or future retiree benefits were liquidated for the purpose of paying current retiree benefits, and

WHEREAS, the previously authorized employer contribution rates are reinstated for December through the end of Fiscal Year 2010 unless the Board sets different rates; and

WHEREAS, on a combined basis, the reinstated employer contributions, employee contributions, and existing, unappropriated fund balances are not sufficient to pay benefits expected to be payable under the State Health Benefit Plan through June 30, 2010; and

WHEREAS, when a deficiency has been projected under the announced employer contribution rates, it is necessary to adjust employee contributions, benefit structure or reserves in order to deal with the contingency. (See 1989 Op. Att'y Gen. No. 89-4.); and

WHEREAS, employee contributions and the benefit structure were adjusted for Calendar Year 2010 by action of the Board on August 27, 2009; and

WHEREAS, reserves currently appropriated to pay for "incurred but not reported" claims ("IBNR Reserves") are available; and

WHEREAS, on a combined basis, the reinstated State Employee Plan Employer Contribution Rate, the reinstated Teacher Plan Employer Contribution rate, the reduced Department of Education contribution of \$45,672,623.00, employee contributions, existing unappropriated fund balances and IBNR Reserves are sufficient to pay benefits expected to be payable under the State Health Benefit Plan through June 30, 2010;

NOW, THEREFORE, LET IT BE ORDERED THAT the State Employee Plan Employer Contribution Rate of 22.165% of total salaries be reinstated for the remainder of Fiscal Year 2010; and

NOW, THEREFORE, LET IT BE ORDERED THAT the Teachers' Plan Employer Contribution Rate of 18.534% of state-based salaries for local school systems and RESAs and 18.534% of total salaries for libraries be reinstated for the remainder of Fiscal Year 2010; and

NOW, THEREFORE, LET IT BE ORDERED THAT the Department of Education contribution rate be reduced to \$45,672,623.00, effective August 27, 2009, and the per member per month rate of \$162.72 from local school boards be continued for the remainder of Fiscal Year 2010; and

NOW, THEREFORE, LET IT BE ORDERED THAT IBNR Reserves be used as necessary in order to pay benefits under the State Health Benefit Plan through June 30, 2010.

Resolved this 12th day of November, 2009, in public session.



Richard L. Holmes
Chairman



Kim Gay
Secretary to Board